THE TOP 100 THRIFTS — TABLE ON PAGE 20

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TODAY

THRIFTS GO PUBLIC

The number of thrifts that have converted from mutual to stock form of ownership has increased dramatically. Today's special section looks at the conversion process and the experiences of some institutions that have made the switch.

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To Our Readers

The *American Banker* will not be published Monday in observance of Labor Day.

California's Home Savings Passes $20 Billion Deposit Mark, Leads U.S. Thrifts at Midyear

By MARK BASCH

NEW YORK — Home Savings of America FA, Irwindale, Calif., was the only thrift institution to pass the $20 billion mark in deposits during the first half of 1986.

Thrifts

The principal subsidiary of H.F. Ahmanson & Co. had a $1.1 billion gain in deposits since yearend, an increase of 5.9%. Meanwhile, the second and third largest thrifts, Great Western Savings, Beverly Hills, Calif., and American Savings & Loan Association, Stockton, Calif., had declines in deposits from yearend.

Overall, the combined deposits of the top 100 thrifts grew $16.4 billion, or 4.2%, from yearend to $407.7 billion.

These are some of the findings of the *American Banker's* midyear ranking of the 100 largest thrift institutions in the United States, ranked by deposits.

There were no special developments to account for Home Savings' large deposit growth, but the thrift has opened eight branches since yearend, bringing its total to 304 branches.

Top 100 Thrifts in Deposits
Page 20

Security Pacific Offers Investors Mortgage Prepayment Analysis
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Salomon Brothers Inc. analyst Robert Chaut noted that the company has reduced its dependence on Federal Home Loan Bank borrowings since yearend while it increased its dependence on deposits as a source of funds. Those borrowings declined from $1.7 billion at Dec. 31 to $503 million at June 30.

Great Western's deposits fell $339 million from yearend to $17.1 billion. In its second-quarter earnings report, the thrift's parent company, Great Western Financial Corp., said it continued to pursue a strategy that allowed higher-rate certificate of deposit accounts to run off during the quarter. That strategy helped the company reduce the cost of customer accounts to 7.55%, compared with 8.12% at yearend.

Jonathan E. Gray, an analyst with Sanford C. Bernstein & Co., said in a recent report on Great Western that the company is trying to restructure its

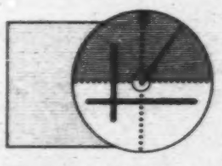
Thrifts: Page 30 ➡

Life After International Lending

Senior VP Outlines Marine Midland's Global Banking Alternatives

By GORDON MATTHEWS

NEW YORK — Marine Midland Bank dropped most of its international lending last year and has since found profitability in other parts of global banking. It is an apparent success story at a time when other banks are seeking ways to keep up their international presence.



Corporate Strategy

How did Marine do it? By focusing on international correspondent banking activities denominated in dollars — funds transfer, letters of credit, cash letters, collections, and cash management services — and by coordinating its worldwide strategy with its parent bank, the Hongkong and Shanghai Banking Corp.

Early last year, after a major strategic study, Marine decided to shift gears, de-emphasize lending, and focus on a segment of global banking that other institutions have left or avoided because they lacked the necessary volume of activity to generate profits.

Providing services to Hongkong Bank's 1,100 branches in 55 countries has provided Marine with the volume base on which to grow. This year, the bank expects to harvest a profit of $2 million, net after taxes, from activities that were previously money losers.

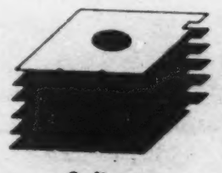
"We went through a reassessment of our wholesale banking activities with the idea that we wanted to look at those businesses in terms of their potential for providing an acceptable return on

Marine: Page 2 ➡

GM, IBM Face Off In Competition for Big-Bank Software

By DAVID O. TYSON

NEW YORK — Two of the world's biggest companies — International Business Machines Corp. and General Motors Corp. — will compete before long in the market for primary applications software for big banks.



Software

A General Motors subsidiary, Electronic Data Systems Corp., this week announced plans to develop an integrated software system for Banc One Corp., linking that Ohio bank holding company's more than 400 branches in four states. EDS then will market the system to others, prob-

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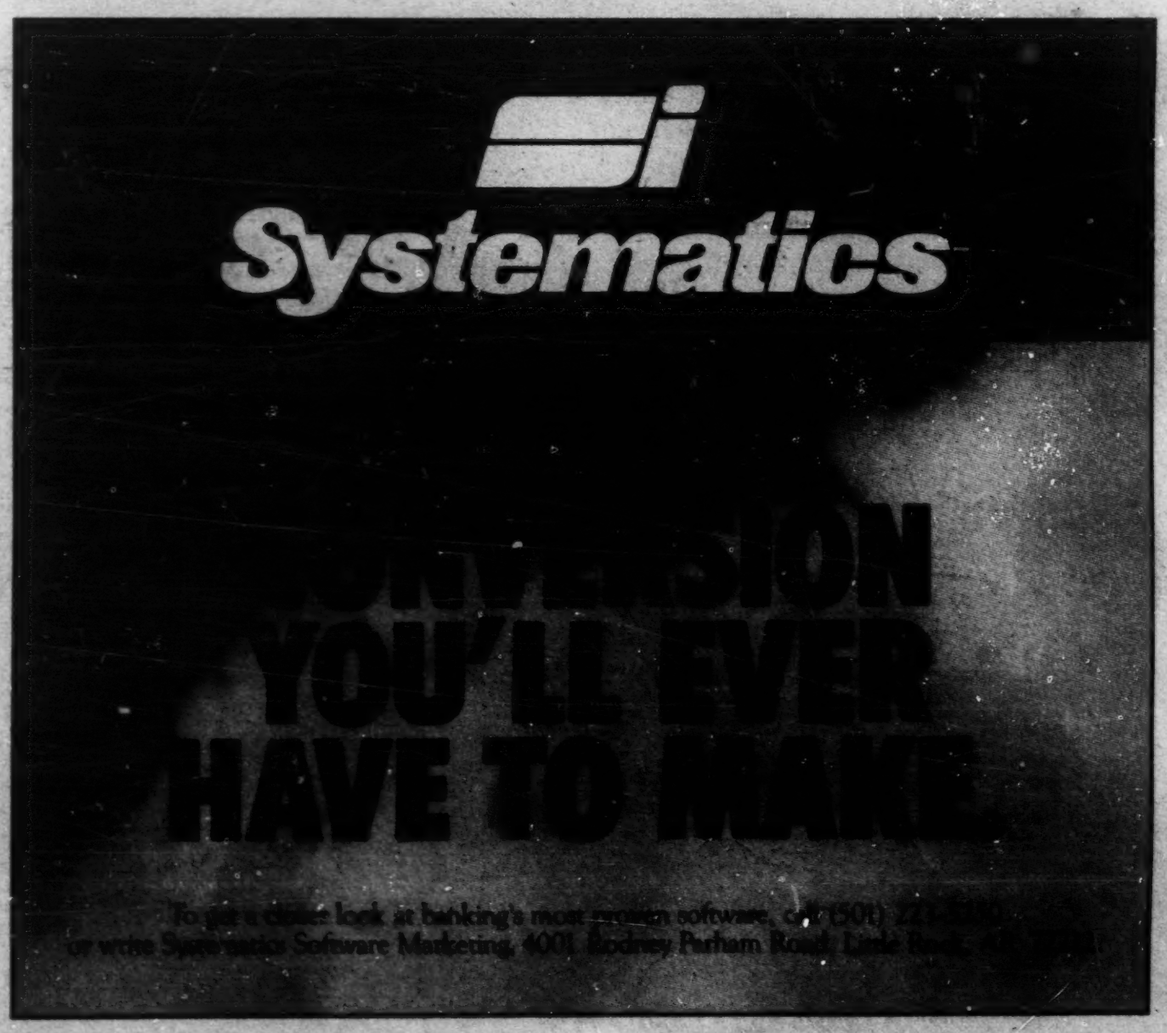


Building Tennessee's financial future

THIRD NATIONAL CORPORATION
NASHVILLE, TENNESSEE

THE THRIFTS GO PUBLIC

Gains Outweigh the Pain Involved in Conversion

Moving from mutual to stock ownership is arduous, but thrifts needing capital may reap long-term benefits.

By Mark Basch

"IT'S LIKE HAVING your first child. You forget a lot about the pangs and remember the pleasures."

Converting a thrift institution from mutual to stock form of ownership is a long and arduous task, as John T. Morgan, chairman of New York's American Savings Bank, FSB, points out. But roughly 470 thrifts that have converted in the last decade to raise new capital have found that they can reap rewards from the process in the long run.

Most savings and loans and savings banks formed before 1975 were mutual institutions, which are owned by their depositors and borrowers. A relatively small number of institutions were formed as stock institutions.

In 1975, when the Federal Home Loan Bank Board first gave thrifts the opportunity to convert from mutual to stock ownership, only 14% of the nation's thrifts were already stock institutions, according to statistics compiled by Keefe, Bruyette & Woods, Inc.

But 11 years after Congress gave the Bank Board the authority to allow conversions, stock institutions dominate the industry. By the middle of 1986, roughly 31% of all institutions were in stock form, and those institutions held about 52% of the industry's assets. In fact, 14 of the country's 15 largest thrifts are now in stock form. The one holdout — Goldome FSB — reportedly is considering going public soon.

The most compelling reason for a thrift to convert is the need to raise capital. But as the Keefe, Bruyette report on conversions points out, there are several other advantages to becoming a stock institution, including:

- It allows access to capital markets for future issues of stock and convertible securities; it also may provide better access to credit markets.
- The additional capital allows a thrift to grow and could help the institution restructure its mix of assets and liabilities.
- The stock can be used for future acquisitions.

Disadvantages

But, there are negatives to be considered also:

- The conversion leaves a thrift open to a possible loss of control by management in the future.
- Management must account for its actions to stockholders, and also is burdened with increased reporting and regulatory requirements.
- The converted institution's value is subject to the volatility of the stock market.

According to Keefe, Bruyette, "the ability to access additional capital tilts the scale overwhelmingly in favor of conversion."

But what happens after the decision is made to convert? There's no fairy godmother to magically change the thrift into stock form overnight. What follows is a lengthy process, which begins when the thrift sends an application to its regulator:

STEP 1: Making the Decision

It's easy for a thrift to decide that it needs additional capital, but not so easy to pick the right time to raise it. Several large New York savings banks began the conversion process in 1983, including Goldome, CrossLand Savings FSB, the Dime Savings Bank of New York FSB, and Empire of America FSB in Buffalo. All four took the first step — filing an application with the Bank Board — that year, but the first of those institutions to actually complete the conversion was CrossLand, two years later in October 1985.

The conversion process is long, but not that long. All four thrifts decided to table their applications in 1983 because of changing conditions in the stock market.

"The general market for thrifts going public went south," said James R. Kerr, senior vice president of CrossLand.

"We had to closely monitor the market," he said, and by the spring of 1985, "we started to find the market more favorable."

By the fall, when CrossLand actually offered its stock, the market had fallen again. "We came out very cheap," said CrossLand chairman and chief executive officer Luke A. Baione. "The bank didn't raise as much capital as it liked, but the stockholders have done well," because of the sharp rise in the stock price after the offering.

Mark Basch is an American Banker staff writer.

> *"In our view, the ability to access additional capital tilts the scale overwhelmingly in favor of conversion."*

Stock prices of recently converted thrifts skyrocketed last fall, when CrossLand completed its conversion. CrossLand stock was offered initially at $9 a share, and the price reached a high of $24.75 at one point. The stock has since settled down to $17.13 a share as of the beginning of August, still about 90% above the initial offering price.

The conversion market has settled down since last fall, and is now running pretty much in line with the general thrift stock market.

"It has not been the gold mine that they had been for some time," said Robert Chaut, an analyst at Salomon Brothers Inc. He said that 39 major conversion issues (stock offerings of more than $15 million) offered since August 1985 have risen an average of 23% from the initial offering. The general thrift stock market is only slightly behind, at 20%.

One of the reasons for the cooling off of the conversion issues in the stock market has been the initial price, Mr. Chaut said. "They're being priced much higher in the marketplace."

Initial offering prices are running about 65% to 75% of book value now, compared with about 55% last year when the market was hot.

STEP 2: Independent Appraisal

While the application is pending at the Bank Board or other regulator such as the Federal Deposit Insurance Corp. or state banking department, an independent appraisal of the thrift is done by an outside firm. CrossLand went to Trident Securities Inc., a Raleigh, N.C., firm that has done appraisals for about 60% of the thrifts that have converted around the country, according to R. Lee Burrows Jr., vice president of the company.

During the appraisal, "a very thorough analysis is done of the institution," said William M. Moore Jr., chief executive officer of Trident. "In effect, it's a due diligence to make sure you know everything."

After the analysis, Trident sets a price for the offering by comparing the institution to other similar thrifts that are actively traded in the public markets, Mr. Moore said.

The appraiser sets a price, which can be adjusted up or down by 15% before the conversion is completed, according to Bank Board regulations. The regulations also require that the appraisal be updated at least once.

Thrifts generally accept the decision of the independent appraiser, but occasionally an institution may try to shop around for a better price. "It's rare, but it happens," Mr. Moore said.

"We were fired from one deal when we refused to do an appraisal at a level they insisted," he said, adding that the underwriter for the offering backed up Trident when the thrift tried to use the underwriter as an appraiser.

He added that the Bank Board has to approve appraisals of thrifts that it regulates, and that the Bank Board appraisal staff does a good job of determining a fair price for a conversion offering.

For the most part, Mr. Moore said, the boards of directors of mutual institutions are willing to accept the decision of one appraiser. "They want it to be fair," he said. "First and foremost, they want the process to be above reproach."

STEP 3: Proxy Solicitation

Once the appraisal is done and the conversion application is approved by regulators, the institution has to begin a proxy solicitation to its customers. "It's one of the three or four things that probably create the most amount of work and effort," said Mr. Kerr of CrossLand.

Depositors and borrowers of the institution have two decisions to make during this period, he said: whether to vote yes to approve the conversion and whether to purchase stock themselves through a subscription offering.

"We had to make our customers aware of what CrossLand was about to do, and why it was important. We had to encourage our customers to vote yes," he said.

CrossLand had about five weeks from the time of approval to get its customers to vote on the conversion. Employees of thrifts in the conversion process are required by the Bank Board to observe a quiet period, during which they can say very little about the stock offering. Customers are encouraged to consult their broker or investment adviser for advice on purchasing stock.

But the employees do not have to keep quiet about the approval vote. CrossLand used a heavy promotional push to get customers to vote in favor of the conversion, without offering advice on whether customers should purchase the stock. "We in no way implied whether purchasing stock was good or bad," Mr. Kerr said.

Besides the usual newspaper advertising urging customers to vote yes on the conversion, CrossLand also used branch displays. Customers waiting in line at branches could watch a short television presentation about the conversion and why they should approve it. The ads sought to assure customers that their vote was important and that conversion would not affect their relationship with the institution.

"There is a concern of many depositors who use the bank as a place to invest their savings and are not [familiar with] the stock market that their savings would be jeopardized by conversion," said American's Mr. Morgan.

CrossLand also used the telephone in its proxy solicitation, concentrating on customers who had 100 votes or more. Under Bank Board regulations, customers had one vote for every $100 on deposit up to $40,000 (400 votes), and one vote for all loans they had. The regulations have been changed since CrossLand's conversion to allow for a maximum of 1,000 votes on deposits.

CrossLand made more than 75,000 phone calls in about three weeks, Mr. Kerr said.

Employees of the institution are also educated in the conversion process. CrossLand held three-hour meetings to train its employees and help them answer customers' questions about the process.

CrossLand used three investment banking firms to handle its underwriting and it also put together a "road show" during this time to meet with other brokers and large institutional investors. "We provide them with a quick profile of who CrossLand is and give them an opportunity to ask any questions about the bank," Mr. Kerr said.

Coordinating personnel was the most difficult part of the conversion process, he said. "That to me is the tough part of the job — to assemble a very effective team in the organization and get the support of effective outside vendors."

To gain approval for the conversion, a thrift must get approval from a majority of votes eligible to be cast. In CrossLand's case, it got 57% of the eligible vote, but 97% of the actual votes cast were in favor of conversion.

STEP 4: Completing the Job

Once the customers approve the conversion, the stock can be sold through a subscription offering to customers, employees, and members of the thrift's community. Any remaining stock is sold to the general public by the underwriters.

That would seem to be the end of the conversion process, but there's one more step: An investor relations department has to be set up .

Mr. Kerr said that the department has to have two sides, one for its shareholders and one for Wall Street. And at the end of 1985, CrossLand had to come up with its first annual report. "The annual report is the single most important piece of shareholder communication that a company has," he said.

Mr. Baione agreed that the conversion creates a lot more work for thrift executives, but it's a step that has to be taken to remain competitive, especially for a large thrift like CrossLand.

"From a management point of view, the simplest type of operation to have is a mutual," he said. "If you want to grow and want to expand the operation, you're going to have to go [the conversion] route." ■

Summary of 1985 and 1986 Thrift Conversions

Offer Date	Institution	Total Assets ($ Mil.)	Initial Offering Price	No. of Shares Offered (Thou.)[1]	Gross Proceeds ($ Mil.)[1]	Percent Sold: Subsc/ Comm Offrng[2]	Percent Sold: Comm Offrng Status	Percent Sold: Over-allotment Option[3]	Offer Price Divided By[4]: Book Value	Offer Price Divided By[4]: Total Assets	Offer Price Divided By[4]: Last 12 Mos. Egs.
	1985 Conversions										
1/23	Western Capital Investment Corp.-CO	$2,959.5	$12.00	9,315	$111.8	27.2%	--	15.0%	40.8%	3.65%	9.3
2/04	Pioneer Savings Bank-FL	1,793.9	7.00	2,919	20.4	100.0	LC	--	41.6	1.13	NM
2/06	Mutual Home Federal Savings Bank-MI	337.8	6.50	975	6.3	100.0	CO	--	50.4	1.85	NM
2/13	Detroit & Northern Savings, F.A.-MI	1,206.0	8.50	3,125	26.6	24.6	LC	0.0	35.0	2.16	NM
2/14	Western Federal Savings & Loan Association of Puerto Rico-PR	409.7	8.00	1,500	12.0	27.2	LC	7.1	45.5	2.86	3.4
2/14	Union Federal Savings & Loan Association-CA	1,207.3	8.75	3,250	28.4	29.3	LC	4.8	47.7	2.30	7.7
2/27	First Federal Savings & Loan Association of Kalamazoo-MI	538.1	9.50	1,760	16.7	17.6	--	12.8	40.7	3.03	8.4
5/15	CFS Financial Corp-VA	928.2	9.00	2,185	19.7	49.7	--	15.0	52.0	2.08	NM
5/30	Occidental Nebraska Federal Savings Bank-NE	620.2	8.00	1,495	12.0	30.5	LC	15.0	43.7	1.90	6.7
6/12	Citizens Financial Group Inc.-RI[5]	1,342.1	23.00	7,187	165.3	31.3	--	15.0	64.6	11.02	7.1
6/13	Braintree Savings Bank-MA[5]	122.7	10.50	460	4.8	48.0	--	15.0	56.8	3.78	4.7
6/26	Apple Bank for Savings-NY[5]	1,621.0	12.75	4,590	58.5	17.5	LC	8.0	41.6	3.51	6.7
7/24	Metropolitan Savings & Loan Association-TX	551.8	11.00	3,000	33.0	100.0	CO	0.0	64.7	5.66	7.3
8/21	Gateway Bank-CT[5]	681.3	11.33	5,313	60.2	17.6	LC	15.0	65.1	8.16	8.1
9/19	Binghamton Savings Bank-NY[5]	686.2	8.75	3,116	27.3	33.6	LC	15.0	55.8	3.84	NM
10/16	Home Federal Savings Bank of Georgia-GA	205.5	9.75	823	8.0	71.3	CO	2.9	60.2	3.75	7.1
10/23	CrossLand Savings, FSB-NY[5]	7,945.8	9.00	15,180	136.6	15.9	--	15.0	35.5	1.70	NM
11/06	The Quincy Co-operative Bank-MA[5]	197.3	12.00	1,772	21.3	51.5	--	15.0	63.0	9.81	7.4
11/06	Alabama Federal Savings & Loan Association-AL	734.6	11.50	1,419	16.3	32.0	--	15.0	46.5	2.18	6.8
11/07	National Savings Bank of Albany-NY[5]	343.8	13.25	1,150	15.2	27.0	CO	15.0	59.9	4.27	4.5
11/14	Capital Federal Savings & Loan Association-CA	702.4	8.75	1,650	14.4	33.3	LC	0.0	53.8	2.02	8.3
11/15	Metropolitan Federal Savings & Loan Association-TN	916.2	14.25	2,457	35.0	89.4	--	14.8	48.3	3.69	9.4
11/19	Poughkeepsie Savings Bank, FSB-NY	716.3	13.50	3,918	52.9	19.5	--	15.0	61.3	6.92	10.8
11/20	American Savings Bank, FSB-NY[5]	3,589.0	12.50	5,980	74.8	8.8	--	15.0	45.1	2.04	NM
11/20	Columbia First Federal Savings & Loan Association-DC	1,283.6	10.00	2,447	24.5	78.0	--	15.0	37.5	1.76	NM
11/25	East Weymouth Savings Bank-MA[5]	71.4	10.00	450	4.5	100.0	LC	--	56.9	5.94	4.5
12/03	Heart Federal Loan & Savings Association-CA	582.3	10.00	2,116	21.2	100.0	LC	--	59.8	3.52	5.6
12/04	The Co-operative Bank of Concord-MA[5]	207.3	8.33	3,333	27.8	46.5	--	15.0	69.0	11.89	6.9
12/04	The Derby Savings Bank-CT[5]	324.8	14.00	2,218	31.0	24.6	--	15.0	61.7	8.77	9.8
12/10	Palmetto Federal Savings Bank of South Carolina-SC	361.0	13.00	1,062	13.8	69.6	CO	6.2	51.6	3.69	2.4
12/11	American Savings Bank, F.S.B.-WA	506.1	11.00	1,881	20.7	27.0	LC	--	58.2	3.95	6.7
12/17	Coast Savings & Loan Association-CA	6,768.1	14.00	13,110	183.5	35.1	LC	15.0	54.2	2.65	8.1
12/17	First Mutual Bank-WA[5]	118.2	5.00	966	4.8	43.1	--	8.5	51.6	3.87	4.5
12/17	Vanguard Savings Bank-MA[5]	207.8	11.63	1,939	22.5	42.8	--	15.0	69.8	9.83	5.1
12/20	Piedmont Federal-Savings & Loan Association-VA	232.0	8.00	1,811	14.5	79.0	--	5.0	60.4	5.91	4.4
	1986 Conversions										
1/14	Cayuga Savings Bank-NY[5]	184.0	10.00	494	4.9	100.0	CO	--	64.8	2.62	6.1
1/14	Great Country Bank-CT[5]	288.7	15.00	2,185	32.8	24.8	--	11.3	63.7	10.28	8.5
2/06	Home and City Savings Bank-NY[5]	706.4	17.25	2,875	49.6	43.1	LC	15.0	72.5	7.51	6.6
2/14	New Milford SB-CT[5]	269.6	16.00	3,700	59.2	100.0	LC	0.0	69.8	18.17	9.2
2/28	Lincoln Savings Bank-PA[5]	168.9	10.00	920	9.2	100.0	CO	--	44.7	5.18	6.7
3/14	Community Savings Bank-MA[5]	401.9	13.80	4,312	59.5	96.1	--	15.0	73.8	12.96	6.8
3/18	Medford Savings Bank-MA[5]	300.9	14.38	3,680	52.9	100.0	--	0.0	73.1	14.98	7.9
4/01	First Federal Savings of Arkansas, F.A.-AR	1,690.6	10.00	3,680	36.8	65.3	LC	0.0	106.5	2.13	2.2
4/03	Eagle Bancshares-GA	264.0	12.00	812	9.8	100.0	CO	--	62.1	3.61	3.7
4/08	North Side Savings Bank[5]-NY	536.8	13.50	3,680	49.7	63.8	LC	15.0	64.6	8.54	10.5
4/22	Rochester Community Savings Bank-NY[5]	2,945.2	14.00	13,800	193.2	48.1	--	15.0	70.5	6.17	4.6
5/02	Lawrence Savings Bank-MA[5]	256.7	13.80	4,312	59.5	82.5	--	4.1	81.3	18.95	7.7
5/06	Andover Savings Bank-MA[5]	365.9	14.38	5,000	71.9	100.0	LC	0.0	76.4	16.45	9.3
5/08	Community BankShares-NH[5]	161.9	12.00	1,625	19.5	100.0	LC	--	74.7	10.74	19.7
5/09	Bay View Federal Savings & Loan Association-CA	1,421.6	13.00	5,971	77.6	32.6	LC	0.0	67.4	5.44	4.4
5/14	First American Savings, F.A.-PA	369.3	15.25	3,450	52.6	80.0	--	15.0	69.4	12.52	6.6
5/16	Landmark Bank For Savings-MA[5]	57.1	11.50	862	9.9	100.0	LC	--	72.8	15.00	7.9
5/16	Lowell Institution For Savings-MA[5]	206.4	9.50	4,600	43.7	73.7	--	15.0	81.7	17.92	7.8
5/16	Waltham Savings Bank-MA[5]	171.5	12.25	3,771	46.2	75.1	--	14.3	78.7	20.17	12.9
5/23	Lake Sunapee Savings Bank fsb-NH[5]	93.5	11.50	1,069	12.2	100.0	--	0.0	75.9	11.66	8.5
5/27	Massbank For Savings-MA[5]	258.6	17.25	3,450	59.5	100.0	LC	0.0	75.8	18.85	10.7
5/30	Skaneateles Savings Bank-NY[5]	139.2	10.00	975	9.7	100.0	--	0.0	76.6	6.57	5.3
5/30	Mid-Hudson Savings Bank, FSB-NY	162.8	15.00	1,032	15.5	100.0	--	0.0	69.4	7.40	5.6
6/05	Tower Federal Savings & Loan Association-IN	317.4	12.50	1,639	20.5	26.1	LC	15.0	68.2	6.09	7.0
6/05	United Savings Bank Mutual-OR[5]	229.2	5.50	1,650	9.0	70.0	--	10.0	70.1	3.82	14.0
6/10	Abington Savings Bank-MA[5]	114.0	9.50	2,300	21.8	91.0	--	15.0	81.0	16.29	5.2
6/12	Taunton Savings Bank-MA[5]	134.3	9.50	3,220	30.6	25.0	--	15.0	78.4	18.79	7.9
6/12	Woburn Five Cents Savings Bank-MA[5]	169.9	10.75	4,030	43.3	39.3	--	11.9	80.6	19.22	8.1
6/12	Home Savings & Loan Association-NC	185.9	10.00	1,400	14.0	100.0	CO	--	70.0	7.03	6.7
6/13	Peoples Westchester Savings Bank-NY[5]	1,299.1	15.00	5,060	75.9	100.0	LC	0.0	75.9	5.54	7.3
6/17	TCF Banking and Savings FA-MN	5,515.0	12.00	7,015	84.2	54.2	LC	15.0	44.3	1.51	6.4
6/19	Newport News Savings & Loan Association-VA	324.8	10.00	1,380	13.8	78.0	--	15.0	67.9	4.09	5.8
6/20	FFB Corp.-CT	1,126.7	15.00	11,021	165.3	89.3	--	15.0	81.2	12.36	9.8
6/30	South Carolina Federal Savings Bank-SC	668.9	13.80	1,925	26.5	100.0	CO	0.0	65.9	3.80	5.1
7/01	Home Federal Savings & Loan Association of San Francisco-CA	328.0	10.00	1,150	11.5	100.0	CO	0.0	73.7	3.35	3.6
7/02	Plymouth Five Cents Savings Bank-MA[5]	176.1	9.50	2,300	21.9	27.7	--	15.0	73.7	11.15	15.8
7/09	The Dime Savings Bank of Wallingford-CT[5]	295.3	11.00	5,290	58.2	53.4	--	15.0	76.4	16.58	9.3
7/09	Somerset Savings Bank-MA[5]	251.1	11.25	4,600	51.7	31.4	LC	15.0	78.8	17.27	9.1
7/10	Warren Five Cents Savings Bank-MA[5]	194.5	10.50	3,000	31.5	16.9	--	0.0	78.9	14.15	11.9
7/11	Richmond Hill Savings Bank-NY[5]	759.8	14.50	6,612	95.9	68.0	LC	15.0	75.0	11.27	6.2
7/17	The Central Bank For Savings-CT[5]	264.6	12.50	3,450	43.1	51.7	LC	0.0	73.4	12.81	9.2
7/17	First American Bank For Savings-MA[5]	396.9	10.25	10,000	102.5	13.7	--	0.0	75.9	20.70	12.9
7/18	Sandwich Co-Operative Bank-MA[5]	137.3	12.00	1,821	21.8	31.0	--	15.0	77.8	13.89	7.2

Source: Kaplan, Smith & Associates

[1] Includes underwriters over-allotment option.

[2] Percent of Shares Offered before exercise of underwriters over-allotment option, if any.

[3] Additional shares sold (as a percent of Shares Offered) pursuant to underwriters over-allotment option.

[4] Book value, assets and earnings are pro forma based on most recent data available prior to offering. Ratios reflect exercise, if any, of underwriters over-allotment option.

[5] FDIC-insured.

NM — Nonmeaningful.
LC — Limited community.
CO — Community offering.

Top 100 U.S. Thrift Institutions

In Order of Deposits, June 30, 1986, Compared with June 30, 1985

Compiled by American Banker Copyright 1986

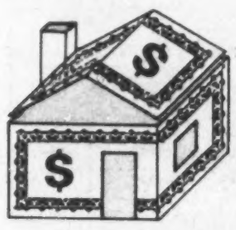
Rank 6/86		Deposits June 30, 1986	Deposits June 30, 1985	Rank 6/85	Gain In Rank	Deposits Dec. 31, 1985	Rank 12/85	Gain In Rank	Net Worth 6/30/86	Net Worth to Assets (%)	Charter Type (a)	Insur. Type (b)
1	Home Savings of America, FA, Irwindale, Calif.	20,632,904,000	19,347,182,000	1		19,486,000,000	1		1,431,414,000	5.13	4	2
2	Great Western Savings, FS&LA, Beverly Hills	17,116,165,000	17,011,369,124	3	+1	17,454,823,872	2		1,222,973,000	5.28	4	2
3	American Savings & Loan Assn., Stockton, Calif.	16,617,214,000	17,943,388,000	2		17,434,499,000	3		511,617,000	1.75	4	2
4	California Fed. Savings & Loan Assn., Los Angeles	14,217,789,000	12,269,774,000	5	+1	13,045,000,000	4		933,435,000	4.84	4	2
5	Meritor Savings Bank, Philadelphia	12,754,770,000	12,506,138,000	4		12,969,633,000	5		1,139,446,000	6.83	2	1
6	Glendale Federal Savings & Loan Assn., Calif.	11,660,817,000	10,546,856,000	6		10,981,575,000	6		729,314,118	4.62	4	2
7	Goldome FSB, Buffalo, N.Y.	9,852,582,000	9,846,434,667	7		9,663,855,000	7		410,069,000	3.34	1	1
8	First Nationwide Bank, FSB, San Francisco	9,651,948,000	7,720,564,000	8		8,802,430,000	8		667,451,000	5.14	2	2
9	Great American First Savings Bank, San Diego, Calif.	8,410,010,000	5,072,523,000	19	+10	5,891,416,000	15	+6	705,999,000	5.91	2	2
10	World Savings, FS&LA, Oakland, Calif.	7,790,359,000	7,697,861,879	9		7,598,792,000	9		659,489,000	5.45	4	2
11	Home Fed. Savings & Loan Assn. of San Diego, Calif.	7,706,519,000	7,138,044,197	12	+1	7,426,584,000	10		748,628,000	7.01	4	2
12	City Federal Savings Bank, Elizabeth, N.J.	7,199,062,000	6,847,192,000	13	+1	6,469,194,000	13	+1	337,175,000	3.23	2	2
13	CrossLand Savings FSB, Brooklyn, New York	7,074,210,000	7,198,948,000	11		6,970,692,000	11		597,221,000	6.55	2	1
14	Dime Savings Bank of New York FSB	6,708,617,000	6,595,843,000	14		6,731,906,000	12		127,497,000	1.61	1	1
15	Anchor Savings Bank FSB, Northport, N.Y.	6,376,930,000	5,810,711,016	15		5,870,980,000	16	+1	338,154,000	4.61	1	2
16	Gibraltar Savings, Beverly Hills	6,280,690,000	5,537,136,504	17	+1	6,197,808,000	14		472,786,000	4.51	4	2
17	Imperial Savings Assn., San Diego, Calif.	5,891,565,000	5,638,885,903	16		5,502,598,018	17		250,119,000	3.10	4	2
18	Sears Savings Bank, Glendale, Calif.	5,115,309,000	4,881,119,348	21	+3	4,944,487,000	20	+2	245,343,000	3.79	4	2
19	Bowery Savings Bank, New York	5,090,167,000	4,992,399,000	20	+1	5,043,749,000	18		435,744,000	7.53	2	1
20	Empire of America FSB, Buffalo, N.Y.	5,028,294,000	.....	...		4,909,106,000	21	+1	233,339,000	3.73	1	2
21	First Federal of Michigan, Detroit	4,906,236,000	4,770,260,000	22	+1	4,869,010,673	22	+1	408,236,211	3.73	4	2
22	Coast Savings & Loan Assn., Los Angeles	4,891,469,000	4,419,957,655	25	+3	4,610,128,257	24	+2	627,596,000	7.62	4	2
23	Talman Home Federal Savings & Loan Assn., Chicago	4,833,627,000	5,355,588,000	18		5,014,667,000	19		146,446,000	2.50	3	2
24	Columbia Savings & Loan Assn., Beverly Hills	4,685,369,000	4,420,978,000	24		4,691,727,882	23		489,452,000	6.68	4	2
25	Dollar-Dry Dock Savings Bank, Bronx, New York	4,364,323,000	4,462,714,000	23		4,397,539,000	25		126,570,000	2.62	1	1
26	Standard Federal Bank, Troy, Mich.	4,239,350,603	3,942,065,809	26		4,143,110,563	26		288,866,268	4.94	1	2
27	Carteret Savings Bank, FA, Morristown, N.J.	4,164,208,000	3,830,104,000	27		4,011,908,000	27		N.A.	N.A.	4	2
28	Long Island Savings Bank FSB, Syosset, N.Y.	4,120,098,000	3,544,568,000	30	+2	3,600,763,000	30	+2	371,430,000	6.97	1	2
29	People's Bank, Bridgeport, Conn.	4,019,429,000	3,697,013,000	28		3,778,928,000	28		323,300,000	7.03	1	1
30	Atlantic Financial Federal, Bala Cynwyd, Pa.	3,961,786,000	3,095,596,000	40	+10	3,362,563,000	34	+4	230,215,000	4.40	4	2
31	Citicorp Savings of Illinois, FS&LA, Chicago	3,746,984,000	3,601,793,093	29		3,645,019,525	29		672,790,000	14.66	4	2
32	Western Savings & Loan Assn., Phoenix, Ariz.	3,635,065,282	3,150,300,450	36	+4	3,235,630,000	38	+6	253,456,899	5.09	4	2
33	MeraBank, FSB, Phoenix, Ariz.	3,554,895,000	3,378,352,318	32		3,504,537,000	32		298,412,000	5.54	2	2
34	Florida Federal Savings & Loan Assn., St. Petersburg	3,432,332,836	3,439,523,385	31		3,538,201,025	31		230,171,949	4.43	4	2
35	Gibraltar Savings Assn., Houston	3,387,805,339	3,058,489,000	42	+7	3,110,086,062	41	+6	510,550,260	9.68	4	2
36	Howard Savings Bank, Newark, N.J.	3,372,697,000	3,135,174,000	38	+2	3,319,444,000	35		290,417,000	7.36	2	1
37	Northeast Savings, FA, Hartford, Conn.	3,311,825,000	3,176,089,000	35		3,148,049,000	40	+3	355,467,000	6.89	4	2
38	Bright Banc Savings Assn., Dallas	3,276,467,000	1,375,247,000	119	+81	1,433,828,000	126	+88	160,600,000	3.48	4	2
39	First Federal Savings & Loan Assn., Rochester, N.Y.	3,268,025,000	3,184,897,459	34		3,267,784,000	36		65,313,000	1.41	3	2
40	Washington Mutual Savings Bank, Seattle	3,248,856,000	3,213,263,000	33		3,251,111,000	37		281,447,000	6.79	2	1
41	United Savings Assn., Houston	3,224,412,000	2,646,076,000	48	+7	2,839,780,000	46	+5	229,013,000	4.74	4	2
42	Community Federal Savings & Loan Assn., St. Louis, Mo.	3,205,626,000	3,136,894,869	37		3,185,073,803	39		148,682,000	3.41	3	2
43	CenTrust Savings Bank, Miami	3,189,342,000	2,706,334,000	47	+4	2,776,493,000	48	+5	N.A.	N.A.	4	2
44	Emigrant Savings Bank, New York	3,180,297,695	3,084,658,104	41		3,105,648,138	42		89,873,400	2.65	1	1
45	Citicorp Savings, FS&LA, San Francisco	3,177,685,000	2,876,304,228	45		3,058,039,000	43		875,107,000	18.59	4	2
46	TCF Banking & Savings, FA, Minneapolis	3,131,113,000	3,112,645,000	39		3,410,824,000	33		250,327,000	4.30	4	2
47	Perpetual Savings Bank, FSB, McLean, Va.	3,000,000,000	2,774,858,814	46		2,938,298,751	45		249,000,000	6.07	2	2
48	American Savings Bank FSB, New York	2,965,611,000	3,039,754,000	43		3,009,504,000	44		296,747,000	8.02	2	1
49	AmeriFirst Federal Savings & Loan Assn., Miami	2,879,662,000	2,915,638,643	44		2,804,312,000	47		112,378,000	2.84	3	2
50	Benjamin Franklin Federal S & L Assn., Portland, Ore.	2,782,064,895	2,490,367,959	51	+1	2,697,270,000	49		158,961,438	3.63	3	2
51	First Texas Savings Assn., Dallas	2,732,885,143	2,514,001,755	50		2,498,019,972	54	+3	278,170,190	7.13	4	2
52	Sunbelt Savings Assn., Dallas	2,730,459,911	2,372,310,000	54	+2	2,521,329,000	51		84,614,921	2.62	4	2
53	University Savings Assn., Houston	2,714,818,000	2,369,938,930	55	+2	2,443,381,000	56	+3	147,051,000	3.63	4	2
54	Manhattan Savings Bank, New York	2,680,631,038	2,626,202,198	49		2,623,986,586	50		211,712,355	7.19	1	1
55	Lincoln Savings & Loan Assn., Irvine, Calif.	2,662,792,000	2,162,178,000	65	+10	2,406,958,000	58	+3	192,050,000	5.03	4	2
56	Green Point Savings Bank, Brooklyn, New York	2,659,072,044	2,225,513,750	63	+7	2,390,540,480	59	+3	230,578,308	7.78	1	1
57	Farm & Home Savings Assn., Nevada, Mo.	2,573,383,000	2,481,387,212	52		2,500,830,000	53		193,387,000	6.02	4	2
58	Transohio Savings Bank, FSB, Cleveland	2,568,221,000	2,341,093,000	57		2,520,080,000	52		128,790,000	3.60	2	2
59	Seamen's Bank for Savings FSB, New York	2,441,637,000	2,429,496,000	53		2,424,000,000	57		124,335,000	3.90	2	1
60	Bank Western FSB, Denver	2,409,020,000	2,346,481,000	56		2,353,295,000	60		278,820,000	8.45	2	2
61	Hudson City Savings Bank, Paramus, N.J.	2,396,217,946	2,271,058,665	61		2,292,239,013	63	+2	184,443,620	6.98	1	1
62	First Minnesota Savings Bank FSB, St. Paul	2,378,427,000	.....	...		2,483,737,000	55		116,458,000	4.11	3	2
63	Homestead Savings, FS&LA, San Francisco	2,320,796,000	2,305,596,000	59		2,328,046,000	61		191,028,000	3.79	4	2
64	Empire of America FSB, Fort Worth, Tex.	2,309,007,000	.....	...		2,294,824,000	62		178,265,000	6.55	1	2
65	Chevy Chase Savings Bank, FSB, Md.	2,305,083,798	1,950,809,762	78	+13	2,086,139,937	71	+6	125,338,757	4.99	2	2
66	Fidelity Federal S & L Assn., Glendale, Calif.	2,260,463,000	2,070,975,000	68	+2	2,193,466,000	65		148,864,000	4.63	4	2
67	Williamsburgh Savings Bank, Brooklyn, New York	2,249,031,128	2,307,157,838	58		2,244,613,176	64		27,727,500	1.18	1	1
68	Georgia Federal Bank, FSB, Atlanta	2,197,367,000	2,076,319,000	67		2,136,770,000	67		234,918,000	8.36	4	2
69	San Jacinto Savings Assn., Houston	2,166,289,281	1,511,819,000	109	+40	1,802,422,346	90	+21	156,544,503	5.50	4	2
70	Rochester Community Savings Bank, N.Y.	2,142,860,000	2,209,019,000	64		2,163,451,000	66		274,984,000	9.08	2	1
71	Guarantee Savings, FS&LA, Fresno, Calif.	2,124,700,000	1,904,687,000	81	+10	1,959,979,071	79	+8	143,132,000	3.87	4	2
72	American Savings & Loan Assn., Salt Lake City, Utah	2,119,472,000	2,023,784,000	72		2,118,000,000	70		42,177,000	1.49	4	2
73	Old Stone Bank FSB, Providence, R.I.	2,116,717,000	1,715,735,000	90	+17	2,082,208,000	72		170,257,000	5.87	2	2
74	Lincoln Savings Bank FSB, New York	2,104,144,000	2,078,810,377	66		2,064,409,000	73		26,760,000	1.17	1	1
75	First Federal Savings & Loan Assn., Pittsburgh	2,101,577,000	1,884,729,981	83	+8	1,913,978,000	84	+9	73,259,000	3.05	3	2
76	American Savings & Loan Assn. of Florida, Miami	2,088,252,000	2,274,644,000	60		2,133,740,000	68		156,047,000	6.00	4	2
77	Capitol Federal Savings & Loan Assn., Topeka, Kan.	2,084,032,742	1,934,702,000	79	+2	2,005,133,828	76		195,149,807	7.90	3	2
78	Santa Barbara Savings & Loan Assn., Calif.	2,062,712,493	1,980,103,000	75		2,058,690,118	74		100,285,999	2.93	4	2
79	Midwest Federal Savings & Loan Assn., Minneapolis	2,058,752,000	1,486,098,121	113	+34	1,997,582,623	77		137,281,000	4.33	3	2
80	Society for Savings, Hartford, Conn.	2,047,593,000	2,062,977,000	69		1,985,365,000	78		160,543,000	5.88	2	1
81	Valley Federal S & L Assn., Van Nuys, Calif.	2,044,327,000	2,042,518,000	70		1,959,453,000	80		91,604,000	3.48	4	2
82	Coral Gables Federal Savings & Loan Assn., Fla.	2,043,299,873	2,245,643,181	62		2,131,447,459	69		195,611,934	8.06	3	2
83	Greater New York Savings Bank, New York	2,036,437,000	2,033,194,198	71		2,016,395,000	75		72,556,645	2.97	1	1
84	Downey Savings & Loan Assn., Costa Mesa, Calif.	2,028,041,000	1,886,470,323	82		1,929,968,227	82		169,104,000	6.74	4	2
85	St. Paul Federal Bank for Savings, Chicago	2,001,609,747	1,856,842,741	84		1,887,962,867	87	+2	95,569,121	4.26	1	2
86	East River Savings Bank, New York	1,968,317,521	1,961,733,401	77		1,924,796,424	83		118,649,401	5.20	2	1
87	Dollar Bank FSB, Pittsburgh	1,934,586,000	2,004,250,686	73		1,940,491,000	81		183,171,000	7.65	1	2
88	Far West Savings & Loan Assn., Newport Beach, Calif.	1,934,135,000	1,422,790,000	116	+28	1,725,837,000	96	+8	155,497,000	5.74	4	2
89	Citizens Federal Savings & Loan Assn., Dayton, Ohio	1,914,392,000	1,702,839,223	92	+3	1,819,340,566	89		82,408,000	3.72	3	2
90	Pacific First Federal Savings Bank, Tacoma, Wash.	1,900,352,000	1,712,570,626	91	+1	1,888,748,000	86		190,933,000	5.27	2	2
91	Citicorp Savings of Florida, FS&LA, Miami	1,884,796,000	1,980,604,000	74		1,707,218,000	97	+6	971,700,000	27.79	4	2
92	Lamar Savings Assn., Austin, Tex.	1,874,968,726	1,517,911,000	108	+16	1,662,532,523	100	+8	37,756,423	1.83	4	2
93	Astoria Federal Savings & Loan Assn., Queens, New York	1,836,094,402	1,770,621,055	86		1,794,362,569	92		148,131,091	6.42	3	2
94	Freedom Savings & Loan Assn., Tampa, Fla.	1,807,860,000	1,964,262,000	76		1,903,235,928	85		32,607,000	1.33	4	2
95	Hill Financial Savings Assn., Red Hill, Pa.	1,760,527,723	1,727,600,619	89		1,767,258,048	93		99,246,532	4.08	3	2
96	Mercury Savings, FS&LA, Huntington Beach, Calif.	1,754,586,000	1,565,454,000	100	+4	1,640,721,000	101	+5	80,709,000	3.74	4	2
97	San Antonio Savings Assn., Tex.	1,734,678,566	1,622,287,711	94		1,662,933,614	99	+2	146,261,410	6.04	3	2
98	Columbia Savings, FS&LA, Denver	1,713,409,000	1,924,881,000	80		1,801,352,000	91		72,915,000	2.76	4	2
99	Commercial Federal Savings & Loan Assn., Omaha, Neb.	1,703,118,000	1,361,274,678	122	+23	1,542,177,000	115	+16	111,528,000	3.72	4	2
100	Fulton Federal Savings & Loan Assn., Atlanta	1,698,892,000	1,748,997,000	88		1,743,029,702	94		47,606,000	2.29	3	2

The bulk of the data are from American Banker's questionnaire which asks for total deposits and savings accounts, excluding all escrowed accounts. This preliminary list of the top 100 is based solely on the thrifts that responded to the questionnaire by production deadlines. Total deposits and savings accounts include: non-interest earning demand and NOW accounts; accounts earning in excess of regular rate in certificates with denominations of $100,000 or more and in other accounts; and accounts earning at or below regular rate in interest-earning NOW accounts, in passbook accounts, and all other accounts, except escrowed accounts. Regulatory Net Worth includes permanent, reserve, or guarantee stock; paid-in surplus; qualifying mutual capital certificates; income capital/net worth certificates; qualifying subordinated debentures; appraised equity capital; reserves; undivided profits; and net undistributed income.(a) — Charter Types: 1-Mutual Savings Bank; 2-Stock Savings Bank; (3)-Mutual Savings & Loan Association; (4)- Stock Savings & Loan Association. (b) — Insurance Types: 1-FDIC-Insured; 2-FSLIC-Insured; 3-State Insured.

Security Pacific Offers Investors Mortgage Prepayment Analysis

By ANDREW ALBERT

NEW YORK — Security Pacific Corp. said its sale this week of $89.3 million in mortgage-backed securities was the first private issue to offer investors quarterly analysis of prepayments on the underlying mortgages.



Mortgage Securities

As witnessed in recent months, mortgage prepayments can spoil the investment strategy of those who hold securities backed by a pool of mortgage loans. A record number of homeowners rushing to refinance their loans this year caused decreases in the yields on mortgage securities and in the expected life of those certificates.

Consequently, investor demand for prepayment analysis has grown, and several firms have responded by peddling their prepayment research. Security Pacific officials say they are the first to provide such analyses for mortgage securities issued privately, rather than those issued by agencies, such as the Government National Mortgage Association, Federal National Mortgage Association, and Federal Home Loan Mortgage Corp.

Ron Cacciola, managing director of Security Pacific Financial Strategies Inc., said his firm's new service was distinct from others mainly because it offers prepayment analysis on privately issued mortgage securities. In addition, he said the quarterly reports, which will be mailed to certificate holders, would be the most comprehensive analysis of a mortgage pool's prepayment experience. There will be no additional charge for the quarterly reports, Security Pacific said.

The reports will examine the effects of prepayments on securities with specific coupon rates, on expected rates of return, and on the duration and expected average life of the securities. "The reports will offer a new way of seeing how pass-through certificates evolve over time," said Mr. Cacciola.

Security Pacific National Bank of Los Angeles originated the mortgages packaged into the new securities, giving its parent company, Security Pacific Corp., full access to loan information needed for an accurate prepayment analysis. Market participants said less information was available to firms studying the effect of prepayments on government-related agency securities, making accurate analysis more difficult.

"If you're originating the loans, you know what's in the pool and [prepayment analysis] is a lot easier," said David Jacobs, a researcher for Morgan Stanley & Co. who has helped design models for his firm's analysis.

Mr. Cacciola acknowledged that several other companies have for some time offered analysis of mortgage prepayments to those who invest in securities issued by Ginnie Mae, Fannie Mae, and Freddie Mac. He cited a service of *The Bond Buyer*, the *American Banker's* sister publication, which offers subscribers a computerized means of estimating monthly payments on mortgage securities based on various loan prepayment scenarios.

Security Pacific's newly issued, pass-through certificates, rated AA by Standard & Poor's Corp., were placed Wednesday with institutional investors, and Mr. Cacciola said similar issues are planned for the future. Mr. Cacciola would not disclose the number of investors participating in this week's issue — called Security Pacific National Bank Mortgage Pass-Through Certificates Series 1986-A — but said, "It was certainly less than 20."

The securities were structured by Security Pacific Financial Strategies and SP Mortgage Trading and Finance, both units of the holding company's merchant banking arm. Security Pacific is the nation's seventh largest bank holding company. ■

Home Savings Top Thrift in Deposits

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liability portfolio to create a portfolio with longer maturities than the liabilities used in determining the cost-of-funds index in the 11th Federal Home Loan Bank district. Changes in many adjustable-rate loans are tied to changes in the 11th district cost-of-funds index.

If Great Western has a longer liability portfolio, its cost of funds will rise more slowly than the index, Mr. Gray said, offsetting the lag time in repricing the adjustable rate loans.

American Savings, the principal subsidiary of the Financial Corporation of America, has been decreasing its deposit base as part of a program to reduce its cost of funds and also reduce its reliance on institutional deposits.

American Savings' deposits fell $817 million from yearend to $16.6 billion at June 30. The thrift had a deposit decrease of $449 million in the second quarter, including $295 million in brokered deposits, according to a quarterly report filed with the Securities and Exchange Commission.

The thrift has also made two moves this year to increase its consumer deposit base. American Savings acquired six branches from other thrifts during the second quarter, which increased its deposits by about $157 million. In addition, since June 30, American Savings has completed the acquisition of 16 offices from Sears Savings Bank, Glendale, Calif., with about $580 million in deposits.

Financial Corporation Leads Assets

In terms of assets, the Financial Corporation remained the largest nondiversified thrift holding company as of June 30, with $29.2 billion in assets. H.F. Ahmanson was second with $28.2 billion, and Great Western was third with $25.3 billion.

Other notable findings among the top 100 thrifts include:

• Great American First Savings Bank, San Diego, jumped into the top 10 following its acquisition of Home Federal Savings & Loan Association of Tucson, Ariz. Great American, which was the 15th largest thrift at yearend, moved up to ninth at June 30 with $8.4 billion in deposits. Home Federal was the 135th largest thrift at yearend.

• Bright Banc Savings Association of Dallas made the largest gain of any thrift in the top 100, moving from 126th place at yearend to 38th place at midyear with $3.3 billion in deposits. Bright Banc completed the acquisition of a larger institution, Dallas Federal Savings & Loan Association, in January. Dallas Federal was the 95th largest thrift at yearend with $1.7 billion in deposits.

• Five of the 25 largest institutions were still in mutual form, but two of those have converted to stock form of ownership since June 30. The Dime Savings Bank of New York FSB went public earlier this month, and the Dollar-Dry Dock Savings Bank of New York converted to stock form in a private deal in July. Also, Empire of America FSB, Buffalo, N.Y., expects to complete its conversion to stock form in September. That will leave only Goldome FSB, Buffalo, and the Anchor Savings Bank FSB, Northport, N.Y., in mutual form among the top 25.

Overall, 67 of the top 100 thrift, with 74% of the deposits, were in stock form as of June 30.

• Deposits at 79 of the top 100 were insured by the Federal Savings and Loan Insurance Corp. The remaining 21 were insured by the Federal Deposit Insurance Corp.

• The thrifts with the highest net worth-to-asset ratios continued to be the three thrifts owned by Citicorp. Citicorp Savings of Florida, Miami, had a regulatory net worth ratio of 27.79%, Citicorp Savings, San Francisco, had a ratio of 18.59%, and Citicorp Savings of Illinois, Chicago, had a ratio of

Thrifts: Page 31 ➳

New Capital Requirements for Thrifts Said to Make Swaps More Attractive

By RICHARD GOTCHER

The Bond Buyer

WASHINGTON — New capital requirements issued late last month by the Federal Home Loan Bank Board make interest rate swaps a more useful tool for struggling thrifts trying to reach required capital positions, according to Sharon L. Stieber, a former economist with the Student Loan Marketing Association.

Mrs. Stieber, now vice president of Barrentine Lott and Associates Inc. of Vienna, Va., a consulting firm that specializes in secondary mortgage market and other asset liability issues, noted that interest rates currently are at their lowest levels in the four years since swaps were introduced. As a result, she said, thrifts will be able to use swaps to their full advantage while locking in lower costs.

An interest rate swap is an agreement between two parties to exchange future flows of interest payments. One party agrees to pay the other at a fixed rate; the other pays the first party at an adjustable rate that is usually tied to the London interbank offered rate, a benchmark rate representing the amount paid by major European banks on dollar-denominated deposits.

Under the new Bank Board rules, the net worth requirement for thrifts will be raised to 6% from the current 3% over the next six to 12 years, based on individual cases. Mrs. Stieber noted that a large number of thrifts are having trouble meeting the current 3% net worth requirement and said interest rate swaps can help ease the transition to the new requirements by locking in lower interest rates.

"The new regulations recognize that when an institution has reduced its risk position, it needs less capital," she said. "Consequently, the Bank Board has allowed thrifts to reduce their capital requirements when they have reduced their risk by using hedging tools such as interest rate swaps, options, and futures."

Mrs. Stieber said swaps are more readily available to thrifts trying to raise cash than standard mechanisms involving the conversion or sale of subordinated debentures. Stock and bond

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More Thrifts Converting to Stock Form as Values Soar

Special to the American Banker

CHICAGO — Thrift conversions to stock ownership, once limited to very large savings and loans, are now occurring "across the board" and the conversion values are increasing, said a savings industry accountant.

A disproportionate number of the thrifts converting to stock from mutual associations have occurred in the Northeast and Middle Atlantic regions, said Gary Scott, a partner in the Miami office of Deloitte Haskin & Sells and a member of the accounting firm's financial institutions task force.

In the mid-Atantic region, 37 thrifts converted to stock associations from mutuals, while 39 northeastern thrifts converted to stock form, including 18 in Massachusetts and 20 in Florida, Mr. Scott this week told the Key Issues Clinic for the Financial Managers Society, the professional group for financial business executives.

The value of the conversions also has increased, he said. The 11 conversions in the first half of 1985 averaged 76% of book value, while the 22 conversions in the last half averaged 110% of book value. The values of the 22 conversions during the first half of this year soared to 214.4% of book value, said Mr. Scott.

Most of the conversions have been standard ones, but the Federal Home Loan Bank Board is making it easier for institutions to qualify for modified or voluntary conversion, he said. Relatively few modified conversions, which are more for financially troubled institutions, have been done because the bank board keeps changing the regulations, he explained.

A change that will further increase the number of conversions is the streamlining in the use of employee stock ownership plans, and allowing employees to purchase up to 25% of the conversion stock, Mr. Scott predicted.

Commenting on the bank board's easing of regulations governing conversions, Richard A. Yingst, vice president of the financial managers group, said there was "a quiet bias on the part of the bank board against mutual associations."

Edmond Shanahan, president and chief executive officer of Bell Federal Savings and Loan Association of Chicago, said that modified conversions make sense for financially troubled thrifts because "anything that brings in more capital makes sense."

Mr. Shanahan, a director of the Federal Home Loan Bank of Chicago, also said "losses will be enormous" at troubled thrifts in some areas of the country, with some thrifts' problems not being resolved.

The earnings outlook for the industry nonetheless remains favorable, said James Christian, chief economist for the U.S. League of Savings Institutions. The thrift industry will be profitable despite the overall economy being "definitely on the lip of a recession," he said.

Mr. Shanahan said he favors the bank board's move to require generally accepted accounting principles because the board "got a lot of people in trouble with RAP [regulatory accounting principles]." ■